

PUBLIC DISCLOSURE

June 7, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

EVERETT CREDIT UNION

650 BROADWAY
EVERETT, MA 02149

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Everett Credit Union prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "SATISFACTORY"

The credit union's CRA rating is based on five performance criteria which are evaluated within the credit union's performance context. The credit union's satisfactory rating is based on: (1) an average net loan to deposit (share) ratio of 55.0%; (2) a majority of HMDA and consumer loans granted within its assessment area; (3) a reasonable lending distribution among borrowers of different income levels; and (4) reasonably distributed lending among census tracts of different income levels. The credit union has not received any complaints related to its CRA performance. Finally, while no discriminatory or illegal credit practices were noted, the credit union's fair lending performance was nonetheless found to need improvement.

PERFORMANCE CONTEXT

Description of Institution

Everett Credit Union is a community credit union founded in 1926. Currently, Everett Credit Union is a \$34 million community credit union with 20 employees. The credit union's sole office is located at 650 Broadway in the City of Everett. Office hours are convenient and services appear to be accessible to all members. The credit union offers expanded hours on Thursday until 7:00p.m; Friday until 5:00 p.m.; and Saturday from 9:00 a.m. to 12:00 p.m. The credit union maintains an Automated Teller Machine (ATM) at its main office. The ATM is linked to the NYCE, Cirrus, Plus, Amex, and MasterCard Networks. The credit union is a member of the SUM network. The SUM network of ATMs is a surcharge-free alliance of many financial institutions including over 1,000 ATMs throughout Massachusetts. The credit union's customers can avoid ATM surcharging by conducting business at alliance members' ATMs bearing the SUM logo.

As of December 31, 1999, 47.6 percent of the credit union's assets were in the form of loans. The credit union offers a wide range of loan products, including first mortgage loans, second mortgages, home equity loans, home improvement loans, new and used automobile loans, unsecured personal loans, and unsecured credit card loans. Real estate loans account for 61.7 percent of the total loan portfolio. The following is a breakdown of the credit union's loan portfolio as it appears on the December 31, 1999 Call Report.

LOAN TYPE	AMOUNT \$(000)	PERCENT
First Mortgage Real Estate	\$ 9,255,000	57.1
Personal Unsecured	\$ 1,884,604	11.6
Used Vehicle Loans	\$ 1,720,333	10.6
Other Lines of Credit	\$ 1,188,859	7.4
Unsecured Credit Card	\$ 831,611	5.1
Other Real Estate	\$ 744,162	4.6
New Vehicle Loans	\$ 590,219	3.6
GROSS LOANS	\$ 16,214,788	100.0

Source: December 31, 1999 Call Report

The credit union was rated Satisfactory at the previous examination for compliance with the Community Reinvestment Act (CRA) on September 10, 1997.

Description of Assessment Area

According to the credit union's bylaws, the field of membership is open for individuals who live or work in Middlesex, Suffolk, Norfolk, and Essex Counties in Massachusetts.

Everett Credit Union defines its assessment area as the cities and towns of Everett, Chelsea, Malden, Medford, Revere, and Somerville. All of these communities are located in the Boston Metropolitan Statistical Area.

According to 1990 U.S. Census Data, these six communities have a combined population of 294,698 and total housing units of 123,369. Of the total housing units, 48,845, or 39.6 percent are owner-occupied, 67,743, or 54.9 percent are rental occupied-units, and 6,781, or 5.5 percent are vacant housing units. The City of Chelsea had the lowest percentage of owner-occupied units at 25.6. Approximately 13,252 or 11.4 percent of the total number of households in the assessment area live below the poverty level.

There are 57 census tracts in the credit union's assessment area. Of these census tracts, 2 are low-income, 25 are moderate-income, 28 are middle-income, 1 is upper-income, and 1 is designated N/A. Refer to the following table for a breakdown of the census tracts.

CENSUS TRACTS AND INCOME IN ASSESSMENT AREA*

LOCATION	LOW	MODERATE	MIDDLE	UPPER	N/A	TOTAL
Chelsea	2	3	1	0	1	7
Everett	0	6	1	0	0	7
Malden	0	1	8	0	0	9
Medford	0	1	9	1	0	11
Revere	0	6	2	0	0	8
Somerville	0	8	7	0	0	15
TOTAL	2	25	28	1	1	57
PERCENT	3.5	43.8	49.1	1.8	1.8	100.0

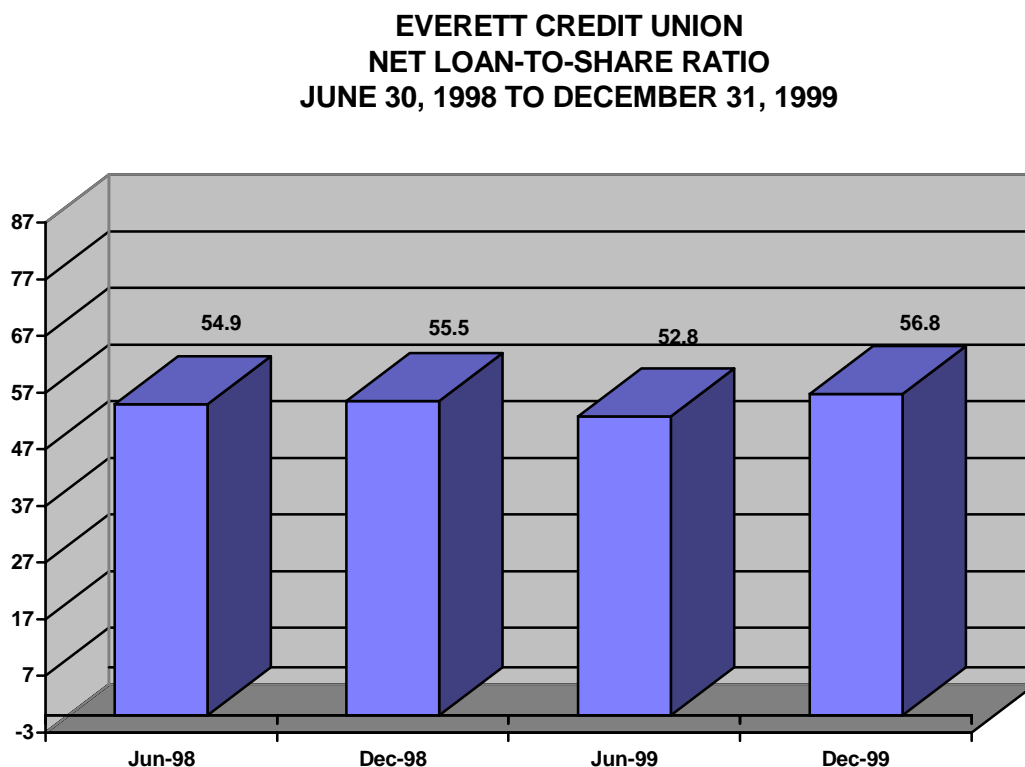
* Based on 1990 Census Data, adjusted for 1993 MSAs.

PERFORMANCE CRITERIA

1. LOAN TO SHARE ANALYSIS

An analysis of Everett Credit Union's semi-annual net loan-to-share ratios for the period of June 30, 1998 through December 31, 1999 was performed during this examination. The credit union's net loan-to-share ratios have increased slightly over the two year period with an average ratio of 55.0 percent. Net loans have increased by 9.1 percent since June 30, 1998, while shares have increased by 5.5 percent for the same period.

The following graph is provided for further analysis.



Everett Credit Union's average net loan-to-share ratio was compared to the ratios of two other area institutions. The ratios used for Everett Credit Union and the other institutions were as of December 31, 1999. Refer to the following table for more information.

COMPARATIVE NET LOAN-TO-SHARE ANALYSIS

CREDIT UNION	NLTD RATIO
<i>Everett Credit Union</i>	56.8%
Carmel Credit Union	62.2%
Key Credit Union	70.0%

Based upon the above information and the credit union's capacity to lend, its asset size, and the credit needs of its membership, the credit union's net loan- to-share ratio meets the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

A review of Everett Credit Union's 1998 and 1999 Loan Application Registers (LARs) was conducted to determine the geographic distribution of originated first mortgages and home improvement loans. This information indicated that the credit union originated 50 loans during this period. A total of 27 loans or 54.0 percent were originated within the credit union's assessment area.

A review of the total dollar amount of these originations indicates \$4,654,000 was originated over the past two years. Of these loans, \$2,466,000 or 53.0 percent, were originated within the credit union's assessment area. Refer to the following tables for additional information.

MORTGAGE LOANS BY NUMBER OF ORIGINATIONS

LOCATION	1998		1999		TOTAL	
	#	%	#	%	#	%
Everett	13	39.4	7	41.2	20	40.0
Malden	5	15.2	0	0.0	5	10.0
Revere	1	3.0	0	0.0	1	2.0
Medford	1	3.0	0	0.0	1	2.0
Chelsea	0	0.0	0	0.0	0	0.0
Somerville	0	0.0	0	0.0	0	0.0
TOTAL INSIDE	20	60.6	7	41.2	27	54.0
TOTAL OUTSIDE	13	39.4	10	58.8	23	46.0
TOTAL	33	100.0	17	100.0	50	100.0

Source: 1998 & 1999 HMDA LARs

MORTGAGE LOANS BY DOLLAR AMOUNT

LOCATION	1998		1999		TOTAL	
	\$ (000)	%	\$ (000)	%	\$ (000)	%
Everett	1,042	38.3	821	42.5	1,863	40.0
Malden	418	15.4	0	0.0	418	9.0
Revere	129	4.7	0	0.0	129	2.8
Medford	56	2.1	0	0.0	56	1.2
Chelsea	0	0.0	0	0.0	0	0.0
Somerville	0	0.0	0	0.0	0	0.0
TOTAL INSIDE	1,645	60.5	821	42.5	2,466	53.0
TOTAL OUTSIDE	1,076	39.5	1,112	57.5	2,188	47.0
TOTAL	2,721	100.0	1,933	100.0	4,654	100.0

Source: 1998 & 1999 HMDA LARs

As illustrated in the tables above, a majority of the number of mortgage related loans and the dollar amount extended were within the credit union's assessment area. The largest concentration of these loans was in the City of Everett. This is to be expected given the credit union's only office is located in this city. An additional analysis of HMDA loans for year to date June 12, 2000 was also conducted during the examination. This review indicates that Everett Credit Union originated 14 HMDA reportable loans totaling \$1,667,000. Of these loans, 8 or 57.1 percent of the number totaling \$830,000 or 49.8 percent of the dollar amount were originated inside the credit union's assessment area.

An additional review of a sample of other consumer loans originated in 1998 and 1999 was also conducted during this examination. Refer to the following tables for information on the number and dollar amount of originations.

OTHER CONSUMER LOANS BY NUMBER OF ORIGINATIONS

LOCATION	1998		1999		TOTAL	
	#	%	#	%	#	%
Everett	14	28.0	25	50.0	39	39.0
Revere	3	6.0	3	6.0	6	6.0
Malden	4	8.0	2	4.0	6	6.0
Chelsea	1	2.0	2	4.0	3	3.0
Somerville	2	4.0	0	0.0	2	2.0
Medford	1	2.0	1	2.0	2	2.0
TOTAL INSIDE	25	50.0	33	66.0	58	58.0
TOTAL OUTSIDE	25	50.0	17	34.0	42	42.0
TOTAL	50	100.0	50	100.0	100	100.0

Source: Institution's data

OTHER CONSUMER LOANS BY DOLLAR AMOUNT OF ORIGINATIONS

LOCATION	1998		1999		TOTAL	
	\$	%	\$	%	\$	%
Everett	103,433	23.4	178,999	43.7	282,432	33.2
Revere	28,519	6.5	29,453	7.2	57,972	6.8
Malden	27,108	6.1	8,025	2.0	35,133	4.1
Chelsea	17,512	4.0	13,528	3.3	31,040	3.7
Medford	15,012	3.4	4,000	0.9	19,012	2.2
Somerville	16,507	3.7	0	0.0	16,507	1.9
TOTAL INSIDE	208,091	47.1	234,005	57.1	442,096	51.9
TOTAL OUTSIDE	233,491	52.9	175,695	42.9	409,186	48.1
TOTAL	441,582	100.0	409,700	100.0	851,282	100.0

Source: Institution's data

As illustrated in the above tables, a majority of the sampled consumer loans have been extended in the credit union's assessment area. The City of Everett accounts for the largest percentage of loans. This is deemed appropriate, as the credit union's sole office is located in Everett.

Based on the above information, Everett Credit Union meets the standards of satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of Everett Credit Union's mortgage loan originations and a sample of originated consumer loans for 1998 and 1999 was conducted to determine the distribution of credit based upon the income levels of borrowers. All of the originations were within the Boston Metropolitan Statistical Area (MSA) and were categorized by the ratio of the applicant's reported income to the estimated 1998 and 1999 median family incomes of the Boston MSA, which are \$60,000 and \$62,700 respectively. These income figures are based on estimated Department of Housing and Urban Development (HUD) information.

Low-income is defined by the US Census Bureau as income below 50% of the median family income level for the MSA. Moderate-income is defined as income between 50 to 79% of the median family income level for the MSA. Middle-income is defined as income between 80 and 119% of the median family income level for the MSA. Upper-income is defined as income greater than 120% of the median family income level for the MSA.

The following table illustrates mortgage loans originated and categorized by the applicants' reported income in relation to the median family income for the Boston MSA.

NUMBER OF MORTGAGE ORIGINATIONS BY INCOME OF BORROWER

% OF MEDIAN MSA INCOME	1998		1999		TOTAL	
	#	%	#	%	#	%
<50%	2	10.0	0	0.0	2	7.4
50% - 79%	5	25.0	3	42.9	8	29.6
80% - 119%	9	45.0	3	42.9	12	44.5
120% >	4	20.0	1	14.2	5	18.5
TOTAL	20	100.0	7	100.0	27	100.0

Source: 1998 and 1999 HMDA LARs

As illustrated in the above table, 10, or 37.0 percent of total mortgage-related loans originated within the credit union's assessment area were to applicants of low and moderate-income.

Also, the following table provides a breakdown of a sample of consumer loans originated among the credit union's membership by applicant income level. Low and moderate-income borrowers accounted for 70.7% of consumer loan originations.

NUMBER OF CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER

% OF MEDIAN MSA INCOME	1998		1999		TOTAL	
	#	%	#	%	#	%
<50%	11	44.0	13	39.4	24	41.4
50% - 79%	5	20.0	12	36.4	17	29.3
80% - 119%	7	28.0	7	21.2	14	24.1
120% >	2	8.0	1	3.0	3	5.2
TOTAL	25	100.0	33	100.0	58	100.0

Source: Information contained in the loan files reviewed.

It should be noted that the majority of the consumer loans were granted to single applicants. Therefore, the percentage of originations to low and moderate-income members would be higher than that of mortgage originations, where the income is usually the result of joint combined incomes. Of the 58 loans reviewed over this period, 12 were joint applications whereby two incomes were used to qualify the loans. Furthermore, of these 12 joint applications, 1 was considered low-income, 2 were considered moderate-income, 6 were considered middle-income and 3 were considered as upper-income members.

Everett Credit Union's loan distribution for borrowers of different income levels reflects reasonable penetration of low and moderate-income members and is considered to meet the standards of satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of HMDA reportable loans extended within the various census tracts contained in the credit union's assessment area was conducted during the examination. The credit union's assessment area is comprised of 57 census tracts. Of these census tracts, 2 are designated as low-income, 25 are designated as moderate-income, 28 as middle-income, 1 as upper-income, and 1 with no income designation.

In 1998 and 1999, Everett Credit Union originated 66.7 percent and 33.3 percent of its HMDA reportable loans in moderate and middle-income census tracts, respectively. Refer to the following table for more information.

HMDA LOAN ORIGINATIONS BY CENSUS TRACT

CENSUS TRACT	1998		1999		TOTAL	
	#	%	#	%	#	%
LOW	0	0.0	0	0.0	0	0.0
MODERATE	13	65.0	5	71.4	18	66.7
MIDDLE	7	35.0	2	28.6	9	33.3
UPPER	0	0.0	0	0.0	0	0.0
TOTAL	20	100.0	7	100.0	27	100.0

Source: 1998 and 1999 LARs

Based upon the above information, Everett Credit Union is considered to meet the standards for satisfactory performance for its geographic distribution of loans.

5. REVIEW OF COMPLAINTS/FAIR LENDING POLICIES AND PRACTICES

A thorough review of the public comment file revealed that the credit union received no complaints pertaining to its CRA performance since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

The credit union's Fair Lending Policies and Practices are considered to need improvement at this time. Detailed below is the credit union's fair lending performance as it correlates to the guidelines established by the Division of Bank's Regulatory Bulletin 2.3-101.

STAFF TRAINING

A thorough review of the credit union's files indicated a lack of training in the CRA and Fair Lending areas.

STAFF COMPOSITION AND COMPENSATION

As of May 31, 2000, Everett Credit Union's staff consisted of 20 employees, 3 of which are minority individuals.

Personnel responsible for loan originations are not compensated on a commission basis and therefore, are encouraged to make loans of all dollar amounts.

OUTREACH

Management of the credit union appears to be committed to assisting individuals throughout the assessment area, including those with low and moderate-income, particularly in Everett.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

The credit union offers a variety of loan products including first mortgages, second mortgages, home equity lines of credit, home improvement loans, new & used auto loans, and secured and unsecured personal loans. Members of the credit union are also referred to Allanach Mortgage Group, which offers a low and moderate-income mortgage program. During 1998 and 1999, the credit union referred 8 members to Allanach.

MARKETING

Credit products and services are mostly advertised through local newspapers that target the entire assessment area. These newspapers include: The Everett Herald Leader, which covers Everett and Chelsea, and Community Newspapers, Inc., which covers the entire assessment area. In addition, direct mail is another form of marketing the credit union uses.

CREDIT EDUCATION

Everett Credit Union has not sponsored or participated in any credit education seminars over the past two years.

COUNSELLING

The credit union will refer delinquent borrowers to homeownership counseling by an organization approved by the Department of Housing and Urban Development (HUD) when necessary.

SECOND REVIEW PRACTICES

In order to ensure that policies and procedures are not discriminatory, as well as for quality control purposes, the Credit Committee reviews all loan applications to ensure fairness is applied to all.

INTERNAL CONTROL PROCEDURES

A thorough review of the credit union's activities indicated a lack of internal controls. The credit union has not reviewed the distribution of its loans over the past two years.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

EVERETT CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **JUNE 7, 2000**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 _____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.